App. F. IX-4

Previous References 1936-7 (C.S) **File No.**

Serial Nos.

Letter References
CS13-40(142/3-6) **PRESERVED**

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 1200.

Part B for March 1936

SUBJECT.

Recommendations on Chapter IV of the Committee on Cooperation relating to financing institutions

0 6155- 6 Q 23.2.36

WD 0295—GPB—22,500—13-8-37

To Regr C's. Comptroller & Govt

Passes orders on the

3643

GENERAL AND REVENUE SECRETARIAT.

(W)

NOTES.

File No. 11-36

FILE HEADING.

Recommendations of the Committee on Co-operation in Burma

FROM The Registrar of Co-operative Societies in Burma

No. 563) Dated 9-1-37) Received 11-1-37)

Diary No. 3648 Enclos. Statements + Index Spare copies — Serial No. 3)

BRIEF ABSTRACT OF LETTER

Forwarding his views on the recommendations of the Committee on Co-operation made in Chapter IV and V of their report

NOTES AND ORDERS.

GENERAL SECRETARIAT 12 MAR. 1937 374

Submitted for orders with remarks on the statements

4/3/37

Sent to the Branch yesterday

Sec Secy 11.3.37

This may be put in a narrative form as directed by the Member in another file.

UG. 13/3.

after 1st ✓
re: Vice L.F
Committee
on Coordinate

Draft dated 4.0 and chapter IV is subject to above

10/7/37

(II member)

1/11/37
Ldf
11.11.37

11 3590.

The draft is revised as per remarks circulated

(II member)

SECOND MEMBER OF COUNCIL
25 JAN. 1938
No. 5290

29/1/38

Please cancel 1st page retyped for consideration Dewan

4th page also.

29.1.38

29.1.

The draft is returned as desired and laid

31/1/38

(Secy. to G.)

DEWAN'S OFFICE
2 FEB. 1938
5128

2.2.38

Dewan)

2-2-38

Serial No.

No. D 6155-56 Dy 23-2-1938

Passed orders on chapter IV of the Report of the Committee on Co-operation relating to financing institutions. Submitted with a draft D.O. to the Chairman for appl

Issued 1/8 4/3

Draft D 6435 dated 4-3-38

Press Ln 4/3/38

WD 0417—GPB—30,000—8-9-36

Serial No.

No. D 6155-56 Dy 23-2-1938

Passes orders on chapter IV of the Report of the Committee on Co-operation relating to financing institutions.

Submitted with a draft D.O. for the Chairman's approval

28/2/38

1/8 Secy
1/8
4/3

Issued No D 6435 dated 1.12.38

Press Sec
28/4/30/38

NOTE—Contn. Sheet.

WD 6417—GPB—30,000—8-9-36

Note E.

Copy of the Govt. orders relating to the working of the Apex Bank is placed below for reference. The recommendation of the Reserve Bank may perhaps be referred to.

The observations of the committee are based on the Govt. of India's orders, but there is a considerable difference in the underlying principle. It is not obligatory for the Apex Bank to take over the assets of societies belonging to the affiliated Central Co-operative Bank. The committee recommends that the Bank should make any recommendation in regard to this matter (vide resume of recommendations in chapter). For this reason and also for the reasons given by the Reserve Bank it is unnecessary to consider the suggestion offered by the committee at page 70 of their report.

sd/-

The Africa Bank is to be main role central financing bank other of Central Banks & the in Central Coop Bank will have is moved to the position of primary institutions Carrying on matters only with individuals. The present the Registrar's opinion for the Apex Bank opinion much as before may be accepted

It is not clear if volume of business of the Apex Bank justifies the establishment of it's own. The proposal involves additional cost. It is not clear if the Apex Bank has agreed to open a branch at Nyeri at its own cost

W
9.10.87

- question was been refer to Registrar unofficially for further comments. Mrs G Becker

W
9/10/87

orately exd

result of action taken
the Bank will be
notified. No action
is necessary on the
part of the Bank

GJ

your action has been entered
in the Register of the
names depositors by individuals
numbers and specimens in the
Bank. This question
has been taken up separately

GJ
5.8.87

This recommendation has far-reaching implications [and deserves the utmost scrutiny.] The Bank will be invested with immense powers if all primary societies are required to affiliate themselves to it and to invest all their surplus cash in it. [Adequate safeguards must be provided to prevent abuse of its power by the Bank.] [It shd be ensured that] the societies will get credit from the Bank on reasonable terms and that credit is not refused except for sufficient cause. It is also necessary that the rate of interest paid on deposits [shd be at least equal to] that allowed on similar deposits by joint Stock Banks. [The Report says that less than one-half of primary societies are affiliated to the Apex Bank and it is not difficult to make out a strong case against coercing them to become members. It shd be remembered that] the membership of the Bank consists of both individuals and societies and the recommendations of the Committee are calcu-

a Resolution will be asked to recommend the other societies to affiliate themselves to the Apex Bank. If such recommendation will have no effect the question of making it compulsory may be taken up later.

to place the latter at a disadvantage in that they will lose their freedom of [action] movement and raising loans. [In any case] this question is ultimately bound up with the revision of the Directorate of the Bank so as to give a dominant voice to the [Member societies in the management of the Bank] and headquarters

as a result of action taken in the matter will be awaited. No further action [seems necessary for the present]

Y

in the various memoranda and proposals

M. H. [Total amount of support as total] Representation to be made on a territorial basis [each] the eight Areas being given the privilege to [have] a member each and the cities being represented by a member [each]. He does not support the idea making a distinction between rural and urban societies for purposes representation which introduces clearly an element of division in movement. He supports twice votes being given from the Provincial societies [from the Provincial societies] from the town elected

The reasons [stated] given by the Committee with the modifications suggested in the letter may perhaps be accepted. This question is being separately dealt with

ing interest in the Bank at least
1000/- in the shape of shares or
ed deposits. (4) The election and
shall be nominated by not
. President of the Bank shall be
. chosen by the Board from among
5 members. (5) Immediate election
not desirable. (7) The term of the Board
may be fixed for a period of 3 years.
e term of office of President may be
xed at 3 years. The Registrar to
disqualify a person who has
served for 3 years continuously as President
in Bank. Any Secy or Director dismissed
ver by the meeting

A separate reference has
een received from the Registrar
n the matter and has been
ferred to the Law Secretary for opinion
whether first Case cited in the memorandum
f the Bank of an executive over

recommendation has
probably been received
& has been laid to the II Mr
rdes. · Mr. Abrahamsens
or 10 years 1) combining the
of the manager + the secretary
2) which person should be laid
the Cook Dept and 3) should be
not with the powers of Asst Registrar.
weeks indebted to the Bank. 4) The
of deputation was to hire for 3 years
+ in my mind a portion of the cost or hire the

cy

CO-OPERATIVE ENQUIRY COMMITTEE REPORT.

1936.

No. of Chapter.	Reference to page of the Report.	Subject matter in brief.	Action taken or proposed to be taken.
1	2	3	4
Chapter IV.	70	Transfer of debts due to the Central Bank from the Primary Societies to the Apex Bank.	The Committee hav n page 70 of their Report suggested the transfer of the existing bts of the Central Bank due from the primary societies to the Apex Ba on conditions to be settled by a Committee consisting of the Regist and representatives of the two Banks. I do not think that such a tr fer would be either just or desirable. The existing outstandings ar ucn as are mostly irrecoverable and the only course is to liquidate t concerned societies and make possible re-coveries. If any portio of the outstandings is found irrecoverable th Central Bank, which has ready received from them large amounts by way of interest and penal in est should bear the loss and write it off from its reserve fund, t the building of which the penal interest has in a good measure contri ted. To saddle the Apex Bank with such bad debts is not in my opini justifiable or safe.
do.	71	Opening of Branches of Apex Bank.	I am of opinion that the Mysore State is compact enough to be served by one Provincial Apex Bank without any intermediary Central -

1	2	3	4

There being no present necessity for District Central Banks, the Mysore Provincial Apex Bank should be able to carry on as sole financing agency for the primary societies in the State, with the aid of branches to be established by it in the more important centres (beginning with the Mysore City) as the need arises. The absence of local knowledge and the necessity of having to devolve responsibility on agents are no doubt disadvantages; but they may be minimized by associating local advisory committees

th the work of the branches. The local committees may be vested by delegation with powers of supervision, including the wer to sanction loans up to a limited exter

Central Banks which would the one hand interupt the free inflow of capital into the Provinci Apex Bank and on the other add to the cost of loans to the primary societi s by the intermediary's commissions.

The Apex Bank is agree le to establish its branches, when its transactions increase. At present, t has its cash balances with the several branches of the Mysore Bank nd issues cheques on them, when amounts are to be paid by it.

As pointed out by the mmittee, there are certain disadvantages in having branches of the Bank but, when the Movement develops, and when it is found that local Central ancing Institutions have to be established, the question of reviving th ntral Banks will be taken up again. The Apex Bank may for the present ope branch of it in Mysore tentatively.

IV. 72. Balancing to be performed by Central Institutions.

In order that the movement may function efficiently and profitably, it is necessary that the connection to be established between it and the money market should be brought about through the Central financing institution. Balancing being performed by the Central institution and by it alone, primary societies (including urban primary banks) should be forbidden to have direct financial relations with each other.

I have always urged aga t the primary societies having any direct monetary inter-relations wit ne another and insisted on the Apex Bank acting as the sole balancing ency. I am therefore wholly in agreement with the Committee's recomme tion in this matter. This has to be enforc by the introduction of a rule preventing the priary societies from having any direct monetary transactions with one another and directing tha

1	2	3

3647

all investments of the primary institutions outside their own transactions should be subject to the approval of the Registrar.

Vide letter no 56390 dated 9.1.1937.

IV. 72. Representatives of defaulting societies not to vote.

There should be a rule definitely disqualifying representatives of defaulting societies from voting at general meetings of the Central institution.

Representatives of defaulting societies should be disqualified from voting at the general meetings of the Central Institutions. If a byelaw to that effect is introduced in the Byelaws of the Apex Bank, it will quite serve the purpose. As this restriction should properly be prescribed under the byelaws of the Bank and a Government rule would be unnecessary, a suggestion has been made to the Apex Bank to introduce a provision in their byelaws to that effect. In case the Bank should demur to pass such a byelaw, the introduction of a rule may be thought of by Government. Copy of letter, addressed to the Apex Bank is enclosed.

do. 72-74. Loans to be confined to societies and prohibition of loans to non-member depositors.

The Provincial Apex Bank should leave individuals to obtain their requirements from primary urban and other societies, which already exist for this very purpose, and confine itself to the financing of the primary societies.

It is unnecessary and inexpedient to permit the Apex Bank to lend money to non-member depositors on the security of their deposits.

3649

A purely Central Society should not lend to individuals and the Provincial Bank was established on that principle. I concur with the Committee that the Apex Bank should not lend to individuals though it may have funds to spare and thus compete with other primary societies. In any case loans to non-member-depositors is quite unsupportable according to true co-operative principles or according to the Regulation. Government have their No.D.2937-8/C.S.93-34-6 dated 4th November 1935 already passed orde

orders prohibiting the issue of loans to non-members by the Apex Bank. The Bank is still advancing to individual preferential share-holders loan on the security of their deposits. A reference, has been made to Government in this office letter No. 5641 /C.S.dtd 7th January 1937 to permit this, only in the case of deposit holdermembers to prevent withdrawal and to encourage the flow of deposits.

IV. 75 Affiliation of primary Societies to the Apex Bank.

Affiliation must be placed on its proper basis as a necessary condition of mutual benefit and community of interest.

*All primary societies, rural and urban, should be required to affiliate themselves to the Apex Bank, and to invest their surplus funds and a substantial portion of their unutilized reserves to the extent of one-third with that institution.

The latter should, for its part, allow these investments to be used as fluid resource, provide suitable cash credit on the security of the investments, and otherwise grant prompt credit on relatively easy terms to the permissible extent, and should afford to the affiliated societies such facilities generally as can be obtained from joint stock banks.

If the Apex Bank is to receive proper support, and function as a truly Central Society for the State it is both logical and necessary that every primary society in the State should get itself affiliated to it. The Byelaws of most of the societies registered subsequent to the organisation of the Apex Bank require their affiliation to the Provincial Apex Bank and this will be given effect to by issuing a Circular to the societies to immediately confor to this byelaw. (Copy of Circular enclosed) Societies that may hereafter be organized will also be registered only on condition of affiliating themselves to the Apex Bank. The trouble is only with regard to the older societies which have no such provision in the byelaws. These will have to be persuaded also to affiliate themselves the Bank and in case they do not comply, it may become necessary

1	2	3

to approach Government to ...s a Rule to compel them to affiliate themselves to the Bank.

I also agree with the ...ommittee that when the surplus funds of the primary societies are comp...ed to be invested in the Apex Bank and the primary societies are proh...ted from borrowing from any other institution than the Apex Bank they sh...d be competent to get loans at concessional rates of interest to the e...nt of their investment in the Apex Bank. Thi... will be suggested to the B... (Copy of the letter addressed to the Bank enclosed)

IV. 76. Directorate of the Apex Bank.

It is necessary to raise the strength of the Directorate of the Apex Bank from thirteen to fifteen. Five places should be reserved exclusively for representatives of rural societies, and five for representatives of urban societies, both credit and non-credit; and two for representatives of individual share-holders. This will leave—besides the President, who will be elected by the general body—two places, both of which should be filled by ne...ination by Government. One of the Directors so nominated may with advantage be the Comptroller.

The constitution of the Directorate of Central institutions should be defined in outline in the Regulation itself, leaving details to rules. One such rule should provide explicitly for the automatic retirement every year of a third of the Directors by

To make the Apex Bank ...proach more closely a true federation of Co-operative Societies, and f... that purpose compel all the societies to ...affiliate themselves to th...ank, it is but just that the societies should find a proper representati...on the Directorate of the Bank. The Urban Societies which have now r...ly stood out of the federation because of their small faith in the B... and because of their fear that they would, by affiliation lose someth... of their independence and dignity should also be given definite pla... thereon, the more so since they can supply to the Board of Management the necessary intellegentia. The proportion of

1	2	3	4

of representation recommended by the committee for rural societies, urban societies and individuals seems to be fair and it is necessary that this constitution should be well defined. This may be provided ~~to~~ in the Regulation as recommended by the Committee or in a Rule to be passed by Government under Section 44 (g). The Committee propose that the President may be elected at the General Body Meeting and two other places may be filled up by nomination by Government. The Apex Bank is the key-stone of the whole co-operative structure and as such, I think that the Government is vitally interested in its stability and should therefore have some effective means to guide it in its management. The President as Head of the Institution will have a very important voice in the management. Instead of leaving his appointment to the vagaries of election, I would strongly urge that the President of the Bank also should be nominated by Government as in the case of the Land Mortgage Bank. Of the other two places, one may be reserved for the Government Comptroller as suggested by the Committee and the other by nomination of a Non-Official gentleman who has a good knowledge and experience of Banking. Such a constitution would give the Directorate of the Bank that dignity and strength which as the premier Institution of the Movement and the connect-

1	2	3

connecting link between the Co-o ative Societies and the outside money market it needs and deserves.

The suggestion for the a matic retirement of one-third of the Directors by rotation may also be adopte But this rotation should apply only to the elected members of the Direct te.

Vide letter No. 5643 /C. dated 9th January 1937 addressed to Government on this subject.

IV. 77. Management of Provincial Bank.

The management of a Provincial Bank calls for practical training and financial knowledge and experience of a high order. The services of trained bankers on the Directorate should, where possible, be secured by co-optation, if not by election. Early steps should be taken to engage on a suitable salary a duly qualified and capable person as Manager. It is essential also to have a qualified Auditor on the staff.

It goes without saying th not only the Manager and the Auditor of the Apex Bank should be qualified and c able men but the whole Staff should be one who have undergone a proper traini . The Bank has also been alive to this. No Government interference seems be necessary in their selection but Government may be pleased to lend the ser ces of one of its own Officers whenever there is a requisition therefor from he Bank.

A separate recommendation or lending the services of an Officer for three years is sent in this Office l ter No. 5642/C.S. dated 9th January 1937.

do. 77-78. Banking facilities.

I have given my opinion e where that primary societies should be prohibited from borrowing from any other institution other than the Provincial Apex

1 2 3 4

The Provincial Bank and other co-operative institutions should confine themselves to borrowing and lending for short and intermediate terms, leaving long term finance entirely in the hands of the Land Mortgage Bank. This is apart from the separate recommendation made with regard to the financing of house-building Societies.

So far as primary societies are concerned, they should seek loans and cash credits from the Apex Bank. But the Apex Bank may well look to the Bank of Mysore for special help of the kind given by the Imperial Bank and the new Reserve Bank in British India.

What is chiefly needed is an arrangement with the Mysore Bank for giving adequate accommodation to the Apex Bank, in the shape of a cash credit on the security, and up to 75 per cent of the amount, of the pronotes of rural societies backed by their endorsements. It is desirable, at the same time, that the Apex Bank should have the moral backing of Government in the shape

a promise of a definite advance of 2 lakhs of rupees whenever uired.

9,645

Apex Bank which should as recommended by the Committee be the lending institution for short and intermediary loans. As already suggested a rule may be framed under 44(g) of the Rules under the Co-operative Societies' Regulation that a primary society should not borrow from any source other than the Apex Bank except with the special permission of the Registrar.

Regarding financial backing to the Apex Bank by the Mysore Bank its present finances do not seem to require such a support. I however recommend that there may be a standing backing by Government to the extent of two lakh of rupees. It is hoped that the Bank will have no need to draw upon that, but such a backing would increase the confidence in the Apex Bank. Vide this Office letter No. 5640 /C.S. dated 9th January 1937.

L.S.9/1.

M. S.
Registrar. 9/7

GOVERNMENT OF MYSORE (1)

No. C.S.

DEPARTMENT OF CO-OPERATION,

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE,

Telegraphic Address: "CO-OPERT" BANGALORE

C.S 11-36-37

Dated, Bangalore 9th January 1937.

3643 REV. SECRETARIAT 11 JAN. 1937

From

GULAM MOHIYUDDIN MEHKRI, ESQ., B.A., LL.B.,
Registrar of Co-operative Societies in Mysore, Bangalore.

DEVELOPMENT BRANCH

To

M.Venkatesa Iyengar,Esq.,M.A.,
General Secretary to the Government
of Mysore,B a n g a l o r e.

GEN. SECRETARY. 11 JAN. 1937

Sir,

In continuation of my letter No.5565/C.S.dated 7th Jany. 37, I have the honour to forward herewith for orders of Government, my views on the recommendations made by the Mysore Co-operative Enquiry Committee - 1936 in Chapters IV and V of their Report.

I have the honour to be,
Sir,
Your most obedient servant,

M. G. Mehkri

Registrar. 9/1/37

L.S.9/1.

5644 C.S.

GOVERNMENT OF MYSORE.

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

Telegraphic Address: "CO-OPERT" BANGALORE

Dated, Bangalore, 9th January 1937.

From

GULAM MOHIYUDDIN MEHKRI, ESQ., B.A., LL.B.,
Registrar of Co-operative Societies in Mysore,
BANGALORE.

To

The Hon.Secretary,
The Mysore Provincial Co-operative Apex Bank,Ltd.,
B a n g a l o r e.

Sir,

I have the honour to state that you are aware that several Co-oper tive Societies have either of their own accord or under instructions fro the Department, invested fairly large sums in the Apex Bank to the dimir tion of the capital available for their own transactions; and when they feel the need for further funds for their transactions, they will have to borrow from the Bank at a much higharate of interest than they get for the amount they have so invested. You may also be aware that many of them have on the security of the same investments been able to get accommodation from Joint Stock Banks at a more favourable rate than your Bank has offered them. In order that their custom may be secured to your Bank and as a mesure of equity, it is desirable that amounts borrowed by the societies should,to the extent of their investments in the Bank, carry a favourable rate of interest not exceeding one per cent the rate of interest they receive on their investments. I request that the Board may pass a Rule to that effect. Such a rule would strengthen the hands of the Department to compel all primary societies to invest their reserve and surplus funds in the Apex Bank and to borrow only from that Institution.

I have the honour to be,
Sir,
Your most obedient servant,

Sd.- M.G.Mehkri,
Registrar.

****
" Copy "

9/1/37
Registrar.

L.S.9/1.

GOVERNMENT OF MYSORE

No 5638 C.S.

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

Telegraphic Address: "CO-OPERT" BANGALORE

Dated, Bangalore 9th January. 1937.

From

GULAM MOHIYUDDIN MEHKRI, ESQ., B.A., LL.B.,
Registrar of Co-operative Societies in Mysore,
Bangalore.

To

The Hon. Secretary,
Apex Bank, Ltd., Bangalore.

Sir,

Referring to the suggestion of the Mysore Co-operative Committee on page 72 of their Report that representatives of defaulting societies should be disqualified from voting at the General Meetings of the Apex Bank, I have the honour to suggest - that a byelaw may be introduced to that effect in the Bank. This would be in analogy with the healthy rule existing in many co-operative societies denying the right of vote to a defaulter and I trust that the Bank will have such a rule included in its byelaws.

Further, it should be stipulated, that the representative of the affiliated society should himself not be a defaulter to his own society.

I have the honour to be,
Sir,
Your most obedient servant,
M.G.Mehkri,

ಮೈಸೂರು ಗೌರ್ನಮೆಂಟು ಕೋ-ಆಪರೇಟಿವ್ ಸೊಸೈಟಿಗಳ ರಿಜಿಸ್ಟ್ರಾರ್ರವರ ಆಫೀಸಿನಿಂದ

ತಾಲ್ಲೂಕು

ಸರ್ಕ್ಯುಲರ್ ನಂಬರ್ 15 ದಿನಾಂಕ 7/10/37
circular no. 15 dated 7/10/37

ಸೆಕ್ರೆಟರಿಯವರಿಗೆ.

ನಿಮ್ಮ ಬ್ಯಾಂಕಿನ ಪ್ರಸ್ತಾಪ, ನಿಮ್ಮ ಪತ್ರ ದಿನಾಂಕ ಇಲ್ಲಿಗೆ ಬಂದಿದೆ. ಬ್ಯಾಂಕಿನ ಬೈಲಾಗಳಲ್ಲಿ ಹೀಗೆ ಒಂದು ಕಲಮು ಇದ್ದಲ್ಲಿ ಮತ್ತು ಬ್ಯಾಂಕಿಗೆ ಸೇರದೆ ಇರುವ ಸೊಸೈಟಿಗಳು ಈ ಕಲಮಿನ ಪ್ರಕಾರ ನಡೆದುಕೊಳ್ಳುತ್ತಿವೆಯೋ ಇಲ್ಲವೋ ಎಂಬುದನ್ನು ಇನ್ಸ್‌ಪೆಕ್ಟರುಗಳು ಮತ್ತು ಅಸಿಸ್ಟೆಂಟ್ ರಿಜಿಸ್ಟ್ರಾರುಗಳು ಪರೀಕ್ಷಿಸಿ ನೋಡಬೇಕಾಗಿ ಸೂಚಿಸಿದೆ. ಈ ವಿಷಯವಾಗಿ ಸೊಸೈಟಿಗಳಿಂದ ಬರುವ ಪತ್ರಗಳನ್ನು ಇಲ್ಲಿಂದ ಕಳುಹಿಸಿಕೊಡಬೇಕಾಗಿ ಸೂಚಿಸಿದೆ. ಈ ದೃಷ್ಟಿಯಿಂದ ಈ ಕಲಮಿನ ಪ್ರಕಾರ ನಡೆಯದೆ ಇರುವ ಸೊಸೈಟಿಗಳಿಗೆ ಬ್ಯಾಂಕಿನಿಂದ ಹಣ ಸಾಲ ಕೊಡಬಾರದೆಂದು ಸೂಚಿಸಿದೆ.

Sd.- M.G.Mehkri.

Registrar.

Copy to the Inspectors of Co-operative Societies and the Assistant Registrars of Co-operative Societies for information. They will see that the above instructions are given effect to by every Society which has got a provision in its byelaws to that effect and has not affiliated itself to the Bank.

B/9-1.

Registrar. 5/7/37

ಕೆ. ಸಿ. ಎಸ್.

ಮೂಲಪೂಟ ನಂಬರ್ 12

ಮೈಸೂರು ಗೌರ್ನಮೆಂಟು ಕೋ-ಆಪರೇಟಿವ್ ಸೊಸೈಟಿಗಳ ರಿಜಿಸ್ಟ್ರಾರ್ರವರ ಆಫೀಸಿನಿಂದ

ತಾಲ್ಲೂಕು .....

ಸೆಕ್ರೆಟರಿಯವರಿಗೆ.

circular no. 15 - dated 7/1/37;

Sd.- M.G.Mehkri.

Registrar.

Copy to the Inspectors of Co-operative Societies and the Assistan Registrars of Co-operative Societies for information. They will see that the above instructions are given effect to by every Society which has got a provision in its byelaws to that effect and has not affiliated itself to the Bank.

B/9-1.

Registrar.

5/7/37

Part I - Government Orders

Part II - Registrar's Circulars,

Part III General principles approved.

Part IV - Amendment of Regulation,

Part V - Revision of Rules.

Chapter II.

1. Preliminaries to Regulation - Accepted.

2. Instruction to Members and Office-bearers - Accepted.

3. Arrears of Rural Societies - Accepted.

4. Duplication of Societies - Accepted.

5. Division of Societies - Accepted.

6. Multiple of membership - Will be examined.

7. Removal of Membership - Will be examined.

8. Disqualification of defaulters: - The recommendation may be accepted in respect of Urban Societies.

Exemption given to rural societies will be withdrawn, the position being examined at the end of two years.

9. Exclusion of political and religious activities - The recommendation of the Committee is accepted. (Part I and Part V)

10. Liability - Accepted (Part III).

11. Powers and responsibilities of Committees - Accepted (Part III).

12. Period of Office - Accepted. Orders under issue.

13. Service in several Departments - Recommendation accepted. (Part I and Part V).

14. No orders.

15. Accepted.

16. Compensation to Secretary - Orders already passed.

17. Paid Staff - Accepted (Part III).

18. Limit of membership in Urban Banks - Government generally agree to the principle underlying the recommendation but do not consider it necessary to place a numerical limit on the expansion of urban societies provided they serve a compact urban area.

The Registrar will however be empowered to stop further admissions and direct the formation of an additional bank when membership of an urban bank has, in his opinion, become unwield (Part III).

19. Defaulters of other Societies - Accepted (Part III).

21. Chain Banks - No orders.

22. Women's Societies - Accepted (Part III).

23. [illegible] - Accepted (Part III)

24. Societies for depressed classes - The observations of the [illegible] regarding the working of these societies are noted. Government agree that these societies, so long as they continue require special help.

The question of improving of the working of the societies may be examined seperately.

25. Societies for salary earners - It has been represente to Government that there are certain practical difficulties in making subscription to Provident Fund compulsory in Societies f salary earners. But the matter will however be further examined.

26. Societies for Government servants - As stated already Government accept the proposal that multiple membership should discouraged. A scheme for developing Departmental socie with

societies with a view to discouraging borrowing from other sources is proposed to be tentatively tried in the Co-operative Department. In the light of the experience gained the question of further extension of the scheme may be tried.

CHAPTER III.

Item No.		
1.	Multiple objects.	Accepted.
2.	Crop loans.	Orders are being passed.
3.	Loan and sale Societies.	The organisation of separate loan and sale Societies of the kind recommended by the Committee is stated to be under the consideration of the Department. The proposals in this respect are awaited.
4.	Joint marketing.	-Do- -Do-
5.	Central Areca Sale Society.	-Do- -Do-
6.	Supply of seeds, manure and implements.	Will be referred to the Agricultural Department. The Director of Agriculture may send suitable proposals in consultation with the Registrar of Co-operative Societies.
7.	Consolidation of holdings.	Orders have been passed.
8.	Cattle breeding.	Noted.
	Dairying.	The department of co-operation has organised the supply of milk to the Hospitals in Bangalore on a co-operative basis. The organisation of milk supply in Bangalore City somewhat on the lines recommended by the Committee is under consideration, a Committee having been appointed to examine the question and submit proposals in G.O.No. D6965-69 L847-36-4 dated 20. 4. 37.
10.	Cattle insurance.	Noted.
11.	Rural Industries.	It appears that the Registrar is in correspondence with the Director of Industries and Commerce in regard to the what might be done in this matter. A report in this matter will be awaited.
12.	Formation of Industrial Societies.	-Do- -Do-

Item No.	
13. Financial and Marketing Societies.	Noted.
14. Weavers' Societies.	The observations of the Committee are noted. Steps have been taken to help the weavers Co-operative Society in Bangalore City. The idea of a Central Society for helping weavers Societies all over the State seems to be unworkable at present.
15. Sericultural Societies.	The recommendations of the Committee are under examination by the Registrar of Co-operative Societies in consultation with the Superintendent of Sericulture. Proposals will be awaited.
16. Co-operative Reeling.	Do. Do.
17. Stores.	Government are in full agreement with the observations of the Committee and understand that the Registrar has -- issued a circular to Stores' Societies advising them to adopt these principles
18. Central Stores.	Noted.
19. House Building Societies.	Government accept the suggestions of the Committee though some of the suggestions seem to be practicable only in societies operating on a large -- scale. The Registrar considers that operations on these lines is not -- feasible for the present.
20. Repayment of house building loans.	Generally accepted.

Item No.	
21. Central Institution for financing House-building Societies.	The suggestion that there should be a central institution for financing House Building Societies and that the Apex Bank might act as such Central Institution provided it can do so without prejudice to its other functions is noted by Government. The Apex Bank has been operating as the Central Institution for House Building Societies for sometime and no inconvenience has been felt.
22. Rate of Interest.	Government agree that a lower rate of interest and the grant of a longer period for repayment may facilitate the development of building activities. The question is under consideration.
3. Acquisition of land.	Government accept the suggestion that it should be possible to acquire lands compulsorily for house building societies. The question of amending the law in this sense is under examination.
4. Technical Assistance.	The recommendation is in some wide terms and it would be difficult to undertake to provide assistance free in all such cases. In particular cases where such help may be found to be essential, the Registrar of Co-operative Societies may submit suitable recommendations.
25. Labour Societies.	Noted.

Chapter IV.

1. Noted - (Part III).

2. Inter-lending between societies - Except in special circumstances the Registrar need not grant permission under Section 32 (d) to the deposit of societies' funds with any Co-operative Institution other than the Apex Bank.

The principle is sound and under Section 32 of the Regulation the Registrar may give permission for the deposit of societies in the exceptional circumstances.

3. The representatives of depositing societies not to vote. It is understood that the matter is under the consideration of the Apex Bank.

4. Government generally agrees with the Provincial Apex Bank should confine itself to the financing of primary societies. The practice of making advances on the security of deposits paid by individual members will be however continued for one year in the first instance. No new individual members should be admitted into the Bank.

5. Loans to Non-members deposited - Orders already issued.

6. Affiliation and reciprocal facilities - quote from the Registrar's Note. The result of the action taken may be awaited.

7. In view of the above decision regarding the affiliation of the societies to the Apex Bank and non-admission of new individual members, special representation for these interests need not be provided for just now. The Board may be retained at its present strength viz., 12 members excluding the President. The power will however be taken to increase the members to 15 if a need arises in future. The President and not more than 2 members of the Board will be nominated by Government. As

As recommended by the Committee steps will be taken to define in outline the constitution of the directorate in the regulation itself. The proposal to provide for the automatic retirement of a third of the directorate every year by rotation is also accepted.

Appointment of the Secretary of the Bank should also be subject to the approval of Government (Part I, Part IV and Part V).

8. The recommendation of the Committee will be kept in view. It is understood that a qualified auditor has been appointed as a member of the Staff.

In the event of a Manager being appointed it would be unnecessary to obtain approval to the election of Secretary.

9. Approved (Part III).

11. Government have already placed cash credit at the disposal of Apex Bank to the extent of Rs. 2 lakhs.

21

26. Charitable allotments.	The suggestion will be examined.

CHAPTER V.

1. Attraction of deposits	Accepted.
2. Rates of interest	Accepted. Certain proposals made by the Registrar to give effect to the suggestions are under examination.
3. Provident Fund Bonds.	Noted.
4. Current deposits	Noted.
5. Security Amounts	The proposals made by the Registrar in this connection are under consideration.
6. Inter-Finance	Accepted.
7. Borrowing power of Societies.	The Registrar considers it desirable that each application should be investigated as received. Although this seems desirable, the present practice may therefore continue.
8. Authorization of Committees.	-do- -do-
9. Concessional rates.	Government consider that the suggestion is sound. The Registrar is taking action in this respect.
10. Custody of cash and securities.	Accepted.
11. Security from Cashiers.	Government understand that the Cashiers from whom the Committee desire that security should be obtained for the full amounts of till money are paid cashiers and agree that in all such cases security should be taken. When the Cahier is an honorary worker it will not be always possible to

possible to obtain security. The Registrar may examine particular cases in which it is necessary to obtain security and issue necessary instructio

CHAPTER. VI.

Item No.	
1. Preliminary Investigation	Accepted.
2. Individual borrowings to be confined to one Society.	Accepted. Vide recommendation regarding Multiple Membership. Chapter II.
3. Purpose of loans.	Accepted.
4. Period.	Accepted as referring to ordinary credit institutions.
5. Assessment of credit.	The suggestions seems generally suitable it being clearly understood, however, that every application for loan by a member Society should be investigated and disposed of on merits, and not sanctioned as a matter of course on the basis of its creditworthiness as thus ascertained.
6. Fixing of credits.	Do. Do.
7. Normal credit.	Do. Do.
8. Information as to loans.	Accepted.
9. Cash credits.	Accepted.
10. Margin of interest.	Generally suitable.
11. Security.	The present practice of classifying loans according to the personal or property security may continue.
12. Taking over lands of defaulters.	The suggestion does not seem to be quite practicable and would involve Societies in difficulties arising from the responsibility of managing trust property. It does not seem possible to

em No.	
13. Loans on crops.	Accepted. Action is being taken.
14. Prior claim to be converted into charge.	The suggestion will be examined.
15. Shares and Provident fund bonds not to be accepted as security.	Generally acceptable.
16. Disbursement of loans.	Delay in the disbursement of loans is no doubt undesirable but very often is necessitated by the circumstances of each case. The Registrar reports that there has been no general complaint of great delay in the disposal of cases.
17. Utilization of loans.	Seems desirable but would perhaps be difficult in practice.
18. Repayments.	Accepted.
19. Penal interest and rebates.	The Registrar may bear in this in mind in fixing the rates of penal interest.
20. Extensions for proper cause.	Noted.
21. Adjustments of payments.	The suggestion seems suitable. The Registrar has issued instructions on the basis of this recommendation already.
22. Repayments.	Noted.
23. Renewals.	The principle enunciated seems healthy The Registrar may consider what action

Item No.	
23 (continued.	may be taken to get societies to conform to it.
24. Credit statements and demand and recovery statements.	Accepted.
25. Accounts of loans.	Seems desirable. The Registrar has issued a circular.
26. Responsibility for negligence.	The Registrar proposes the amendment of Co-operative Societies the/Regulation to give effect to the recommendation. The matter is under examination.
27. Precautionary measures.	Noted.
28.Defaulters.	Some provision in the rules in this sense seems to be desirable. The matter is under consideration (Vide recommendation in the Election Rules).
29. Systematic examination of outstandings.	Accepted. The Registrar has issued instructions that lists of outstandings should be examined in every society. The Inspector should see that ~~xhxxxx~~ this instruction is observed.
30. Overdue interest not to be included in net profits.	The recommendation is very salutary. The Registrar is requested to take action in accordance with the rules, the rules being amended, if necessary.
31. Maximum dividends.	Accepted.
32. Reserve in case of thrift and savings societies.	There are no such societies.

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Item No.		
33.	Proportion of owned capital to liabilities.	Noted.
34.	Employment of reserves.	The suggestion that some portion of th reserve fund should be invested in one or other of the modes laid down in the Regulation and rules up to a limit prescribed by the Registrar is suitable. Government consider that this principle might apply to unlimited Societies also. It is also desirable that some portion of the fund set apart for investment outside should be placed with the Apex Bank. The Registrar is requested to make suitable proposals in this behalf suggesting the amendment of the Regulation and the rules should this be necessary.
35.	Investment of Reserve fund.	Do. Do.
36.	Profit on reserve used as capital.	The suggestion is salutary and it is understood that several societies are following this procedure.
37.	Bad debt fund.	Accepted. It is understood that instructions have been issued by the Registrar.
38.	Share transfer fund.	The proposal seems salutary. The Registrar may consider how far it can be given effect to.
39.	Contributions to charitable purposes.	The matter is under examination. The proposals of the Registrar in this respect are under consideration.

Item No.		
1.	Cash credit as fluid resources.	Noted. No action is necessary.
2.	Standard of fluid resource.	The Registrar will examine this recommendation and submit proposals.
3.	Fluid resource for fixed deposits-	Do. Do.
4.	For current accounts.	Do. Do.
5.	For Savings and Thrift Deposits.	Do. Do.
6.	For cash credits.	Do. Do.
7.	Form of fluid resource.	The Registrar may issue a circular indicating how the fluid resources are to be calculated so that there may be uniformity of practice.
8.	Facilities to be obtained.	Noted.
9.	Periodical reports.	Accepted. The Registrar may take necessary action to give effect to this recommendation.
10.	Surplus fund.	Vide recommendation 10 &c., Chapter IV.
11.	Special Banking Business.	The principle enunciated seems to be sound but particular institutions may, however, do business of the kind referred to within limits with the approval of the Registrar.

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Item No.	
12. Concessions to Co-operative Societies.	The proposals of the Registrar on this recommendation are before Government and being examined.
13. State aid.	Noted.
14. Provision for co-operative education.	Noted.

Item No.		
1.	Policy as to long term finance.	Accepted generally.
2.	Short term cultivation loans.	The proposal seems acceptabl The matter is under ~~exa~~ examination
3.	Limits of loans.	This matter is also under examination.
4.	Rate of interest.	Also under consideration.
5.	Should be lowered to six per cent.	Under examination.
6.	Valuation and investigation.	It is possible there is some inconvenience at present, the number of societies under each Circle Inspector being as many as 60. The Registrar has made proposals for reducing the number of societies. If the number of societies under each Inspector is reduced there may be no need for special staff. This question will be examined in connection with the proposals under consideration.
	Delays in granting loans.	All possible steps may be taken to expedite the disposal of applications and the disbursement of loans. The Registrar reports that action has already been taken in this behalf by modifying the procedure for the grant of loans.
8.	Solution of problem of rural poverty.	Noted.
9. and 10.	Control of usury. Usurious Loans Regn.	In regard to the suggestions of the Committee relating to the control of usury, Government observed that besides the usurious loans regulation there is the Agriculturists' debt relief Regulation in force and legislation for the conciliation of debts became law recently. What further steps would be necessary to give relief to debtors may be examined
11. 12 and 13.	Consolidation of enactments. Machinery for conciliation of debts. Payment of conciliated debt.	

14 and 15. Agency of ordinary credit societies and of Land Mortgage Bank. Direct conciliation through societies.	The suggestions may be examined by the Registrar with reference to what is done elsewhere.
16. Credit requirements of large proprietors.	The suggestion of the Committee that the requirements of large proprietors like owners of coffee estates can be met by Land Mortgage Banks of any kind seems to require further examination. The amounts involved are so large, as also the number of persons requiring help that no Land Mortgage ~~Bank~~ institution would be able to meet all the requirements. These needs are now met from so many sources that it would be difficult to replace all of them by one institution organised on Land Mortgage lines.
17. Takavi loans.	The existing arrangements may continue.

CHAPTER IX.

1. Scope of audit and functions of auditor.	Noted.
2. Form of audit report.	ction has been taken by the ~~Registrar~~.
Publication of audit reports.	~~Action has been taken by the~~

4. Half-yearly audits.	Noted.
5. Audit agency.	The proposals made by the Registrar in this behalf are under consideration.
6. Audit on behalf of Societies.	Noted.
7. Concurrent Internal Audit.	It is understood that many large societies have an arrangement of the kind suggested by the committee. Action may be taken to extend the system to all institutions which can afford it.
8. Audit unions.	Noted.
9. Supervision.	Noted. The Registrar is making proposals for improving the arrangements for supervision.
10. The case of Central and urban institutions.	Noted. Government understand that there is no occasion for any difference between the department and any urban society.
11. The case of rural societies.	Seems to be a matter for consideration as more non-official agencies become available.
12. Non-official supervision through local associations.	The suggestion may be referred to the Provincial Co-operative Institute and their views obtained.
13. Inspection	Accepted.
14. Precautions against misconduct &c.	The summary is interesting. Action more or less on the lines indicated is [illegible] at present.

giving clear instructions as to the precautions that may be taken to ensure regularity in transactions. As regards enforcement of responsibility on persons who have been negligent, action similar to item No.26 Chapter VI. may be taken.

15. 16 and 17. Education and Training. Need for a central school. Cost. — The Registrar has made certain proposals which are under consideration.

18. Teaching of co-operation- — Co-operation is part of the study of the curriculum under Economics in the University. The suggestion that it should be included in the curricula for lower stages of education will be referred to the Department of Public Instruction. There is already an examination under the Co-operative Societies Regulation and the Rules and Book-keeping. It does not seem immediately necessary to widen the scope of this examination.

CHAPTER X.

Item No.

1. Winding up prior to cancellation of registration. — The procedure now adopted in the case of societies whose position is not sufficiently sound is in consonance with the recommendation of the Committee. This procedure may be regularised by being recognised. The Registrar is requested to submit proposals for amending the Regulation in this behalf.

2. Compulsory liquidation. — Noted.

3. Notice prior to cancellation or winding up- — may be done. The Registrar may propose necessary rules.

4. Enforcement of orders of liquidator.	Accepted. The Registrar is requested to propose amendments to the Regulation for this purpose.
5. Contributions in case of unlimited liability.	It is understood that the Registrar issued instructions. He may propose necessary amendments to the rules.
6. Agency for liquidation.	Noted.
7& 8. Amendment of provisions regarding liquidation. Reference of dispute on default of action by Committee.	The suggestions seem suitable and the Registrar is requested to submit proposals in this behalf.
9. Honorary Assistant Registrars.	The appointment of honorary Assistant Registrars dealing with disputes is not considered immediately necessary. The suggestion may also be found difficult in working, as a scheme for the appointment of honorary organisers initiated some years ago was found not to work well. Action on this suggestion may be defered for the present.
10. Fee for arbitrators.	The department is taking action on this suggestion.
11. Reference to Civil Courts.	This is being done. Where both parties desire that the case should be referred to a Civil Court, it may be done as a matter of course.

CHAPTER X (continued)

Item No.		
12 and 13.	Limitation in relation to Co-operative disputes. Period to be extended.	The Registrar has made certain proposals on the basis of these recommendations and they are being examined.
14.	Power to Registrar to recover dues.	The recommendation will be examined.
15.	Power to initiate execution in default of action by Committee.	Accepted. It is understood that this is practically what is being done at present.
16.	Choice of mode of execution.	At present the party is at liberty to try to execute the decree through Revenue agency and failing there to resort to Civil Court. The Registrar considers it undesirable to restrict the decree holder to only one of the two agencies. The matter may be fully examined and proposals submitted for orders.
17.	Execution through Revenue Dept.	Noted.
18.	Alternatives considered.	Noted.
19.	Special Recovery Staff.	Certain proposals of the Registrar in this matter are before Government and will be examined.
20.	Transmission of decree.	The Registrar considers it necessary that the higher officers in the Revenue Department should know the work that is

entrusted to Taluks also. The Regulation provides for the decrees being sent for execution to the Deputy Commissioner of the District. The Regulation may if necessary be amended so as to permit of the decree being sent to an officer subordinate to the Deputy Commissioner, A statement of decrees so sent to Taluks being forwarded for information to the Deputy Commissioner and the Sub Division Officer concerned.

21. Contract between Society and Revenue Agency. — Noted.

22. Possession of property sold in execution. — Similar suggestions have been made to Government previously. The matter has been disposed of and certain instructions recently issued. Their working may be watched.

23. Purchase by Societies. — The suggestions are generally acceptable. Instructions in this sense may be issued to societies and to Revenue Officers.

24. Attachments after decision — The recommendation is accepted. The Registrar is requested to submit proposals for amending the Regulation.

25. Do. — The suggestion that the Land Revenue Code should be amended so as to provide for the attachment of immoveable property sought to be proceeded against for the realisation of society's dues,

seems to require examination.

26. Voluntary payments.

It seems to be reasonable that in cases where the executing agency has taken absolutely no action and the payment is manifestly quite voluntary, the percentage need not be recovered. The position will be fully examined and separate orders issued.

27. Attachment of salaries.

The suggestion that the officer disbursing the salary should make rateable distribution of the amount of the decrees in force may be examined with reference to practice elsewhere.

28. Do.

This is being done.

29. Prosecutions and suits.

Cases of this kind seem to be very rare. Action does not seem to be called for at present.

CHAPTER XI.

1. Ultimate goal.

Accepted.

2. Honorary agents.

The scheme of honorary organisers was abolished only recently. Its revival so soon does not seem to be desirable.

3 Provincial Co-operative Institute.

The suggestion is under examination by the Registrar. His proposals will be awaited.

4. Periodical conferences.

The Provincial Co-operative Conference at the capital which is now regularly held seems to give co-operative institutions in the State the opportunity that they require for

for consultation with other workers in the field and for stating their own problems for the consideration of such workers. The Depa ment may consider the possibility of getting District and Taluk Conferences organised occasionally if the institutions in particula areas desire to have such conferences and wil meet the expenses connected with it.

Meetings of Departmental officers are being organised whenever necessary, so also private conferences with Heads of the larger central institutions when important problems connected with their working have to be decided. If anything further has to be done may be examined by the Registrar in consultation with the Mysore Co-operative Institute.

5. Study. — Noted. .

6. Powers and duties of Registrar. — The suggestions are generally acceptable. Any changes in the rules that may be required to give effect to them may be proposed.

Do. — Noted.

8. Superior controlling staff.
9. Subordinate controlling staff. — The Registrar has made certain proposals on the basis of the recommendations of the Committee. This will be examined and orders issued separately.

10. Co-ordination between Departments. — The Committee suggests certain arrangements for facilitating co-ordination between the various departments. This will be examined.

11. Expert advice.	Noted. In all cases where technical advice is necessary the Department of Co-operation is applying for such advice to the Departments concerned and ~~get~~ gets help without any difficulty.
12. Support and sympathy of District Officers.	Vide suggestion No.10.
13. Non-official opinion.	Vide items Nos. 10 and 12.
14. Increased representation to the Co-operative Movement.	Will be examined.
15. Participation by Government servants.	The earlier rule has been reverted to.

Extract of resolutions passed at the 3rd All India Cooperative Conference held at Bangalore in 1937

1. This Conference resolves to request the Govt to amend the Income Tax Act so as to exempt from Income Tax & Super Tax, the income derived by Cooperative banks from (a) investment of their own reserve funds + Govt securities (b) investments in Govt securities for purposes of their reserve to be maintained on a prescribed scale under statutory obligations in force in each province.

4 (a) This Conference does not favour the organisation of Agricl Boards on joint stock basis. In provinces where there are no Cooperative Agricl Credit Societies, steps should be taken to form such ~~Co~~ Agricl Boards on a Cooperative basis.

(b) The Conference does not approve the view that the Provincial Banks will not Command Confidence & the necessary liquidity by their Boards being Controlled of borrowers. The Constitution of the Apex Banks is in accordance with sound principles of Cooperation and they do Command in adequate the Confidence of the public

c) The Conference is of the opinion that the statistics made by the Reserve Bank that the margin between the lending rate and the borrowing rate of Cooperative banks is low and that the rate should be raised is not precisely correct. The margin of profit depends mainly upon the borrowing rate, lending rate, Cost of management etc

may change as it has done already in certain areas and it must be left to the bankers to decide how to deal with problems of seasonal & local variations.

3) The Conference while agreeing to the proposal that a Statutory fixed or percentage change in the reserve should be enacted does not favour any special provision for varying to suit the wishes of member who desire to change the reserve ratio at frequent dates

4) The Conference recognises that multiple reserve ratios between different centres and different forms of deposits have advantages where they can be successfully worked and while it is not in favour of the recommendation for general adoption of such ratios it feels that such ratios may be found desirable in certain circumstances

5) The Conference is unable to agree with the view that Central Banks of issue should confine their operations to large bankers and that the large deposit banks should be left to deal with the small banks

6) The Conference agrees with the view that the practice of making deposits of 24 hours or less repayable at any time is common and that a period should be fixed for withdrawal of deposits & that with which cancellation of the principal and notice should be given for withdrawal of deposits of a fixed term. The Conference considers that the reserve ratio should vary according to the nature of the deposits

Whole concerning that terms & rates depend upon local conditions and circumstances. The Conference places on record its considered opinion that the aim of Co-operative banks should be to make credit as cheap as possible and the existing rates of interest should not be reduced except when local conditions it is considered advisable necessary

The Conference considers it undesirable to prescribe any representation to depositors as such on the boards of provincial banks whether by nomination or otherwise.

The Conference while agreeing with the view that long term credit should be handled through the Land Banks is not in favour of the necessity to total loans from Central Banks & Societies should be strictly confined to cultivation & current only other necessary forms of short and intermediate credit required by members should be provided in order to prevent them from resorting to money lenders. Provided however that the deposits and borrowings of the banks should be so regulated as to permit such loans being granted from these sources.

The Conference while recognising the necessity of bringing down the level of debts of agriculturists where there is no reasonable prospect of their recovery in full even if long extensions are given, is considered undesirable that compulsory and forcible methods should be brought down for the benefit of the borrowers. With the rise in prices and other favourable conditions the Conference

(ix)
marked wherever found

(8) This Company is to own the free and Co-operative Stores Limited registered office system requiring them to maintain regular and standard accounts and to file the annual audited balance sheet and profit and loss account.

(9) To enable the members of depositors Cooperative Societies to invest their savings and to receive interest on the same

(10) To enable the Co-operative Institutions to popularise the movement among women and to enable them to become members in large numbers and to help them with

(11) Govt of every Province should be required to give Share and debentures to the Provincial Co-operative Bank and Land Mortgage Banks out of the proceeds of the provincial state revenues.

12) To enable Co-operative societies to obtain short term loans from Co-operative Banks and to enable the Co-operative Banks to borrow money from the Reserve Bank by duly authenticated resolution of the Committee there should be provision for nomination by any member by the Board of Directors to attend and vote at the meetings of the Reserve Bank

14) The Conference of Provincial Registrars should be convened to take stock of the working of the Co-operative Societies Act, the Registrar's Manual from time

no degree Medical training and have
shown by experience his fitness for the work
He should be allowed to work other provinces
of India as well as Europe to study the
Corporation movement there. He should be
an officer under training to succeed the Registrar

15) The Conference requests Government to
make statutory provision for voting in
writing of not less than twenty days' notice
given to a Co-operative Society before any
change is to be effected

16) The Conference is of opinion that the
recommendation of the Co-operative
Enquiry Committee that the Government
to move under certain conditions
of these definitions is unnecessary. It holds the
view that direction in granting of loans

The Mysore Provincial Co-operative Apex Bank is the central edifice of the whole movement in the State, and on the soundness of its structure and strength very largely depend the well being and orderly progress of the other co-operative societies in the Province. Government are therefore concerned in ensuring for it that solidity and strength, and have for some time past been contemplating necessary reforms in its constitution and functions. The Co-operative Committee have in Chapter IV of their report made some valuable suggestions in this behalf and the Registrar's views on them have also been obtained. The Registrar's inspections and some recent disclosures have also brought to light some weak points in the working of the Institution. On a close and careful consideration of the materials ~~these~~ Thus made available to Government they have come to the following conclusions and pass orders as noted against them.

The recommendations lend to classifications under ~~these~~ three heads - those concerning (1) the composition of the Bank (2) its functions and (3) its management.

(1) Regarding the composition of the Bank, it was started with the idea of making it a pure and complete federation of Co-operative Institutions in the State and this aim has been well kept in view by the authorities of the Bank. Individual members are being gradually weeded out as seen from the figure that from 604 in 1916 it fell to 358 in 1926 and to 284 in 1936; and membership of societ

societies is correspondingly increasing. Government however think that this elimination of individual or preferential share-holders should proceed at a faster pace so that the goal of pure society-membership may be reached at an early date, and hence desire the Bank authorities to strictly stop admission to membership of all individual persons hereafter.

As advised by the Committee and strongly felt by the Registrar too, it is also necessary to strengthen the Bank in more ways than one and make it a complete federation, that all the Co-operative Societies in Mysore should be affiliated to it. It is however learnt that out of 1906 ...societies that existed at the close of the year 1935-36 only 988 .....were members of the Bank and that very many of the urban societies specially, have stood outside. It is these latter institutions that can add very greatly to the stability of the Bank and supply the intelligentia for its management. Government desire that all primary co-operative societies in the State should join the Apex Bank as members. The Registrar informs that the bye laws of most of the existing societies enjoin on them to affiliate themselves to the Apex Bank and that no new society is being registered without such a provision being made in its byelaws. Government direct that the Registrar do enforce this byelaw ~~when~~ where it now exists and in the case of societies whose byelaws have no such provision at present, influence them to introduce the same. In case these societies do not comply, the Registrar may submit proposals for the promulgation of a Rule in this behalf.

The Committee also contemplate a possible need in future for establishing branches of the Bank at the more important centres. This may be noted for future action when such need arises.

(2) Regarding the functions of the Apex Bank, the Committee consider that it should confine itself to the financing of primary societies leaving individuals to get their requirements from the primaries. Government generally agree in this view and have already passed orders (G.O.No.D.2937-8/C.S.93-34-6 dated 4th November 1935) prohibiting the Bank against making advances to non-member depositors on the security of their deposits. An exception has however been made in that order in favour of member depositors. Government consider it desirable that this exception be continued for one year from this date in the first instance, the order being subject to revision after the lapse of a year.

It is learnt that at present there has been free interlending among primary societies direct by way of deposits and other accommodations, and direct borrowings also by some societies from agencies outside the co-operative field. The Co-operative Committee urge that the balancing of surpluses among the primaries should be performed solely by the Central Financing Institution, i.e, the Apex Bank and that it alone should act as the link between the outside money market and the Co-operative Societies. The Registrar is also strongly of opinion that the direct interlending among societies should be interdicted Government find considerable force in the -

the recommendations and accept the principle urged as sound. Regarding the depositing of the funds of one primary society in another Government consider that under Section 32(d) of the Co-operative Societies Regulation, societies cannot do it without the sanction of the Registrar and Government order that such sanction be not accorded to the societies by the Registrar except under very special circumstances. But a doubt has been expressed whether the the prohibition does not relate only to the invesment of its funds in Joint Stock Banks and whether this Section does not enable one co-operative society to deposit its funds in another co-operative society without the Registrar's sanction. It is learnt that in Bengal where the Section reads the same as here the Registrar has ~~constrained~~ construed that even where one society deposits its funds in another co-operative society, the Registrar's sanction is necessary and has issued a ruling accordingly. To obviate all doubts Government have thought it desirable to introduce necessary amendment to the Section and direct the Registrar to submit the draft for it.

The Committee also make a recommendation that the reserve funds of co-operative societies to the extent of one-third must be compulsorily deposited in the Apex Bank. Such investments by co-operative societies could to a very appreciable extent make the Apex independent of the vagaries of the investing public, conserve co-operative funds for use among themselves and considerably strengthen the finances of the Bank. Government fully

fully approve of this recommendation and direct the Registrar to take action accordingly under Rule 17(a). Where the societies are not in a position to make such deposits immediately they may be allowed to make it suitable annual instalments.

The Co-operative Committee while making these proposals have also recommended that societies may in their turn receive ready accommodation from the Apex Bank at concessi rates of interest to the extent of their investments in the Bank. It is learnt that th Registrar having addressed the Bank in the matter, it has offered the concessions as recommended. No Government action is therefor necessary on the point.

~~Regarding direct borrowing by co-operative Societies from Joint Stock Banks,~~ Yet another recommendation of the committee - desires that Government should give a backin to the Apex Bank in the shape of a cash credit to the extent of 2 lakhs of rupees. Government have already granted to the Bank a cash credit to that extent.

(3) Government place very great importance on the set of recommendations bearing on the management of the Apex Bank.

The committee consider that the strengt of the directorate should be fixed at fiftee and assign definite number of ~~societies~~ seats to urban societies, rural societies and individual share holders and also provide for nominations by Government to two of the seats ~~and~~ They however ~~have~~ leave the President's place

place to be filled up by election. As already stated the Apex Bank occupies a vital place in the Co-operative Movement. It is the mainstay of co-operative credit and attracts and holds large investments from the public, the co-operative institutions, trust funds and the Government, and is the main feeder of Agricultural Co-operative Societies as also many industrial and artizans' societies. The safeguarding of such funds and their wise and beneficient administration are to be secured as far as possible, if public confidence is to be maintained and the Bank has to serve its real purpose. Government therefore feel that the efficient management of the Institution is of prime importance and that it is both justifiable and necessary that they should have some control over it. They cannot therefore agree with the committee that the President should be elected by the general body but hold that he must be nominated by Government. Government also hold that two other places on the directorate should be filled up by Government nomination one of them being held by the Registrar of Co-operative Societies or the Government Comptroller ex-Officio and the other by a non-official gentleman with either a good banking or district experience. Considering that individual share holders are to be eliminated as quickly as possible, Government do not find it necessary that any seats should be reserved for them, but they hold that in order to retain the confidence of the individual depositors and safeguard their interests two seats should be assigned to them of the Depositors. The Directorate shall however as at present consist of only 13 members with

with powers to Government to increase the number to 15 if a need arises therefor in future. Of the remaining 8 seats, at least 3 shall be held by urban societies and 3 by rural societies. One third of the elected members shall automatically retire every year by rotation. The affairs of the Bank are too large and complicated to be left into the hands of ~~more~~ mere Honorary workers without the necessary expert knowledge. The Secretary of the Bank shall, therefore be a whole-time paid officer who shall be appointed in consultation with the Government and who may not be on the Directorate. The Bank shall also have a qualified paid Auditor on its staff for purposes of internal audit. Government hold with the committee that this constitution regarding the management of the Bank should be defined in outline in the Regulation itself and steps shall be taken accordingly.

L.S.8/6.

Submitted.

SI 11-36-242

PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

12 copies

R E A D:-

Chapter IV of the Report of the Committee on Co-operation relating to financing institutions.

2. Letter No. 5637 dated the 9th January 1937 from the Registrar of Co-operative Societies furnishing his views on the recommendations.

O R D E R N O. D 6155-56

Dated Bangalore 23-2-1938

The Committee refer to the unsuccessful working of intermediate financing agencies, such as the Federal Banking unions and District Central Banks which has led to the gradual winding up of most of these institutions and the assumption of their functions by the Apex Bank. The latter now constitutes practically the sole agency for the financing of societies, giving them loans without the intervention of District Banks. The Committee are in favour of the continuance of the present arrangement. They see no reason why the Mysore Provincial Apex Bank should not be able to carry on as sole financing Agency for the primary societies in the State, with the aid of branches to be established by it in the more important centres (beginning with the Mysore City) as the need arises. The absence of local knowledge and the necessity of having to devolve responsibility of agents are no doubt disadvantages; but they may be minimised by associating local advisory committees

With the

with the work of the branches. The local committees may be invested by delegation with powers of supervision including the power to sanction loans to a limited extent. After some experience is gained of the working of these branches, the question may then be considered of converting them into autonomous Central Banks, while retaining the essential features of a coordination of business functions with the Apex Bank". So far as they can now judge, Government agree that future policy should generally follow these lines. It would be mainly for the Apex Bank itself to decide whether the volume of transactions is such as to justify the opening of branch offices.

The other recommendations of the committee and the observations of Government thereon are given below:-

53

ncluding the power to sanction loans
) a limited extent. Recommendations

2. Balancing to be performed by Central Institution.

In order that the movement may unction efficiently and profitably it is necessary that the connection be established between it and the oney market should be brought about hrough the Central financing institution. Balancing being performed y the Central institution and by it lone, primary societies (including rban primary banks) should be foridden to have direct financial relaions with each other.

Orders

Government have passed orders accepting this recommendation in G.O.I D.8603/C.S.11-36-122 dated 11-6-1937.

3. Representatives of defaulting Societies not to vote.

There should be a rule definitely disqualifying representatives of defaulting societies from voting at general meetings of the Central institution.

The Bank has since amended its byelaws to this effect.

4. Loans to be confined to societies.

The Provincial Apex Bank should leave individuals to obtain their requirements from primary urban and other societies, which already exist for this very purpose, and confine itself to the financing of the primary societies.

Government agree with the recommendations of the Committee. ~~and~~ G.O.No D.5992-3/C.S.40-26-7 dated 6th Dece 1927 directs the Apex Bank to restr the loans to societies only. but The however modified G.O. has/been ~~relaxed~~ G.O.No.D.8013/C.S.11-36-117 dated 2 May 1937 in ~~respect~~ favour of member depos ~~to~~ in respect of whom the practice of making adva on the security of their deposits v be continued tentatively for one ye

5. Loans to non-member depositors.

It is ~~is~~ Sun necessary and inexpedient to permit the Apex Bank to lend money to non-member depositors on the security of their depos

It has been ordered in G.O. No. 2937-38/C.S.93-34-6 dated 2/4th Nov 1935 that the existing practice of Apex Bank giving loans to depositors who are not members ~~but~~ on the securi of their deposits is clearly again provisions of Section 29 of the C. Regulation and cannot be permitted continued and that the existing la should be strictly enforced.

5. Affiliation and reciprocal facilities.

Affiliation must be placed on its proper basis as a necessary condition of mutual benefit and community of interest.

All primary societies, rural and urban, should be required to affiliate themselves to the Apex Bank, and to invest their surplus funds and a substantial portion of their unutilised reserves to the extent of one-third with that institution.

The latter should, for its part, allow these investments to be used as fluid resource, provide suitable cash credit on the security of the investments, and otherwise grant prompt credit on relatively easy terms to the permissible extent, and should afford to the affiliated societies such facilities generally as can be obtained from joint stock banks.

The Registrar reports that most of the urban societies have not chose to join the Bank as members and that it is these societies which by virtue of their resources, can add greatly to the stability of the Bank and supply the necessary intelligentia required for its management. He also reports that the bye-laws of most of the societies require them to join the Apex Bank and that he proposes to enforce these byelaws and persuade other societies whose bye-laws do not contain a similar provision, to join the Apex Bank voluntarily. Government will await the result of the action proposed to be taken by the Registrar.

The recommendation however has far-reaching implications. The Bank will be invested with immense powers and responsibilities if all the primary societies ~~are~~ were required to affiliate themselves to it and invest all their surplus cash with the Bank. It should be ensured in return that the societies get credit from the Bank on reasonable terms and that credit is not refused to societies except for sufficient cause. It ~~is also~~ would also be necessary that the rate of interest paid on deposits of societies ~~is~~ should not less than that allowed on similar deposits in Joint Stock Banks. The memberships of the Bank consists of

both individuals and societies, and the recommendations are calculated to place the latter at a disadvantage in that they would lose their freedom in the matter of investing their surplus and of raising loans. Government are of opinion that this part of the Committees' recommendations may be considered when the directorate of the Bank has been reorganised (as indicated below) andits management has reae ched.a level of efficiency that would justify the Bank undertaking theheavy responsibilities involved in the proposal.

Management of the Apex Bank.

It is neccessary to raise the strength of the Directorate of the Apex Bank from thirteen to fifteen. Five places should be reserved exclusively for representatives of rural societies, and five for representatives of urban societies, both credit and non-credit; and two for representatives of individual shareholders. This will leave--besides the President, who will be elected by the general body--two places, both of which should be filled by nomination by government. One of theDirectors so nominated may with advantage be the Comptroller.

The constitution of the Directorate of Central institutions should be defined in outline inthe Regulation itself, leaving details to rules. One such rule should provide explicitly for the automatic retirement every year of a third of the Directors by rotation.

The management of a provincial Bank calls for practical training and financial knowledge and experience of a high order. The services of trained bankers on the Directorate s should, where possible, be secured by co-optation, if not by election. Early steps should be taken to engage on a suitable salary a duly qmalified and capable person as Manager. It is essential also to have a qualified Auditor on the staff.

According to the revised bye-laws of the Bank, the Board of Management consists of a President and 14 Director of whom the President and 12 directors are to be elected by the general body one is to be co-opted by the Board, and one nominated by the Government; and out of the 12 elected directors at least six are to be representatives of affiliated societies. Government accept the recommendation of the Committee that five places should be reserved exclusively for representatives of ruralsocieties, and five for representatives of urban societies,--both credit and non.credit - and two for representatives of individual share-holders. These places will be filled by election by the rural societies, the urban societies and the individual shareholders, respectively.

Government also accept the recommendation that 2 places ~~to~~ too should be filled by nomination by Government, and that one of the nominees may with advantage be the Comptroller. The observation of the Committee that the services of trained bankers on the directorate should, where possible, be secured will also be ~~noted while~~ kept in view in making the other nomination.

As to the President being elected by the General Body, it has been suggested, in modification of the recommendation of the Committee, that, as in the case of the Land Mortage Bank, the President also may be nominated by the Government. In view of the recommendations of the Committee that all primary societies - rural and urban, should be required to affiliate themselves to the Apex Bank and to invest their surplus and a suitable portion of their unutilised reserves with the Apex Bank, and that the Apex Bank should be the only link between primary societies and the money market, the primary societies being forbidden to have direct financial relations even with each other, there is ~~a heavy~~ an increased responsibility imposed upon the Apex Bank and ~~Government consider that~~ it is very necessary to infuse public confidence in the management of the Bank.

It has also been suggested that, in view of the heavy overdues to the Bank, an Officer of Government of the status of an Assistant Commissioner may be lent

to the Apex Bank and half his salary and pensionary contribution may be met by Government for a period of at least 3 ye Separate orders will issue shortly in th matter behalf. The Bank has also recently ~~revi~~ arranged, by a change in its bye-laws ~~under which the Board~~ of to appoint ~~Directors shall appoint~~ shall be a salaried Offic as Secretary to the Bank who, subject to control of the Board, shall be responsibl for the executive administration of the Bank.

Gover~~nment are in general agreemen~~ ~~with these proposals~~ of the Committee. As the amendment of the Co-operative Societies ~~Regulation~~ Act defining in outline the constitution of the Directorate of the Apex Bank will in volve delay, Government have separately under consideration the framing of rules under Section 44 (2) (g) to give effect the above recommendations, as also to the suggestion that a third of the Directors should automatically retire every year b rotation.

BANKING FACILITIES.

The Provincial Bank and other co-operative institutions should confine themselves to borrowing and lending for short and intermediate terms, leaving long term finance entirely in the hands of the Land Mortgage Bank. This is apart from the separate recommendation made with regard to the financing of house-building Societies.

So far as primary societies are concerned, they should seek loans and cash credits from the Apex Bank. But the Apex Bank may well look to the Bank of Mysore for special help of the kind given by the Imperial Bank and the new Reserve Bank in British India.

What is chiefly needed is an arrangement with the Mysore Bank for giving adequate accommodation to the Apex Bank, in the shape of a cash credit on the security and up to 75 per cent of the amount, of the pronotes of rural societies backed by their endorsements. It is desirable, at the same time, that the Apex Bank should have the moral backing of Government in the shape of a promise of a definite advance of 2 lakhs of rupees whenever required.

In their Order No.D.10897-9 C.S.82-26-4 dated 7th June 1927 Government have expressed their readiness to advance to the Apex Bank money up to a lakh of rupee whenever such an advance is required, on terms to be mutually agreed upon as regards the rate interest and period of repayment. A further cash credit to the extent of another lakh of rupees

8 58

(subject to the interest being charged only on the actual amount drawn) was also promised in G.O.No.D. 11283-92/C.S.128-25-8 dated 22nd June 1927. ~~These promises ought to serve as sufficient backing to the Apex Bank as recommended by the Committee.~~

It is understood that the Apex Bank does not stand in present need of any further financial backing at present.

25738

SECY.TO GOVT.,
L.S.G.DEPT.

To

The Registrar of Co-operative Societies

The Comptroller to Government

App. F. VI G 10.

Government of His Highness the Maharaja of Mysore.

GENERAL AND REVENUE DEPARTMENTS

G. O. No. D 6155-56/Cs-11-36-262 DATED 23-2-38

May this be

i. printed? Yes

ii. treated as a standing order? N/S

iii. published in the Gazette English Part?
iv. translated?
v. placed at the disposal of the press? } Yes
vi. published in the Gazette Kannada Part?

ICS 24/2/38

250 copies
24-2-1938

Report of the Committee on Cooperation in Mysore

Pass orders on Chapter IV of the

GEN. & REVENUE SECRETARIAT
DEVELOPMENT BRANCH.

Government of His Highness the Maharaja of Mysore.

GENERAL AND REVENUE DEPARTMENTS.

G. O. No. D. 6155-56—C. S. 11-36-242, dated 23rd February 1938.

Report of the Committee on Co-operation in Mysore.

Passes orders on Chapter IV of the ——.

READ—

Chapter IV of the Report of the Committee on Co-operation relating to financing institutions.

2. Letter No. 5637, dated the 9th January 1937, from the Registrar of Co-operative Societies furnishing his views on the recommendations.

ORDER No. D. 6155-56—C. S. 11-36-242, DATED BANGALORE, THE 23RD FEBRUARY 1938.

The Committee refer to the unsuccessful working of intermediate financing agencies, such as the Federal Banking Unions and District Central Banks which has led to the gradual winding up of most of these institutions and the assumption of their functions by the Apex Bank. The latter now constitutes practically the sole agency for the financing of societies, giving them loans without the intervention of District Banks. The Committee are in favour of the continuance of the present arrangement. They see no reason why the Mysore Provincial Apex Bank should not be able to carry on as sole financing Agency for the primary societies in the State, with the aid of branches to be established by it in the more important centres (beginning with the Mysore City) as the need arises. The absence of local knowledge and the necessity of having to devolve responsibility on agents are no doubt disadvantages; but they may be minimised by associating local advisory committees with the work of the branches. The local committees may be invested by delegation with powers of supervision including the power to sanction loans to a limited extent. After some experience is gained of the working of these branches, the question may be considered of converting them into autonomous Central Banks while retaining the essential features of a co-ordination of business functions with the Apex Bank. So far as they can now judge, Government agree that future policy should generally follow these lines. It would be mainly for the Apex Bank itself to decide whether the volume of transactions is such as to justify the opening of branch offices.

The other recommendations of the Committee and the observations of Government thereon are given below :—

RECOMMENDATIONS.	ORDERS.
1. *Balancing to be performed by Central Institution.*	
In order that the movement may function efficiently and profitably, it is necessary that the connection to be established between it and the money market should be brought about through the Central financing institution, balancing being performed by the Central Institution and by it alone, Primary Societies (including urban primary banks) should be forbidden to have direct financial relations with each other.	Government have passed orders accepting this recommendation in Government Order No. D. 8603—C. S. 11-36-122, dated 11th June 1937.

No. D. 6155-56—C. S. 11-36-242, dated 23rd February 1938.

Recommendations.	Orders.
2. *Representatives of defaulting Societies not to vote.*	
There should be a rule definitely disqualifying representatives of defaulting societies from voting at general meetings of the Central institutions.	The Bank has since amended its bye-laws to this effect.
3. *Loans to be confined to Societies.*	
The Provincial Apex Bank should leave individuals to obtain their requirements from primary, urban and other societies, which already exist for this very purpose, and confine itself to the financing of the primary societies.	Government agree with the recommendations of the Committee. Government Order No. D. 5992-3—C. S. 40-26-7, dated 6th December 1927, directs the Apex Bank to restrict the loans to societies only. The Government Order has, however, been modified by Government Order No. D. 8013—C. S. 11-36-117, dated 27th May 1937, in favour of member depositors in respect of whom the practice of making advances on the security of their deposits will be continued tentatively for one year.
4. *Loans to non-member depositors.*	
It is unnecessary and inexpedient to permit the Apex Bank to lend money to non-member depositors on the security of their deposits.	It has been ordered in G. O. No. D. 2937-38—C. S. 93-34-6, dated 2nd—4th November 1935, that the existing practice of the Apex Bank giving loans to depositors who are not members, on the security of their deposits, is clearly against the provisions of Section 29 of the Co-operative Societies Act and cannot be permitted to be continued and that the existing law should be strictly enforced.
5. *Affiliation and Reciprocal facilities.*	
Affiliation must be placed on its proper basis as a necessary condition of mutual benefit and community of interest. All primary societies, rural and urban, should be required to affiliate themselves to the Apex Bank, and to invest their surplus funds and a substantial portion of their unutilised reserves to the extent of one-third with that institution. The latter should, for its part, allow these investments to be used as fluid resource, provide suitable cash credit on the security of the investments and otherwise grant prompt credit on relatively easy terms to the permissible extent, and should afford to the affiliated societies such facilities generally as can be obtained from Joint Stock Banks.	The Registrar reports that most of the urban societies have not chosen to join the Bank as members and that it is these societies, which, by virtue of their resources, can add greatly to the stability of the Bank and supply the necessary intelligentia required for its management. He also reports that the bye-laws of most of the societies require them to join the Apex Bank and that he proposes to enforce these bye-laws and pursuade other societies whose bye-laws do not contain a similar provision, to join the Apex Bank voluntarily. Government will await the result of the action proposed to be taken by the Registrar. The recommendation, however, has far-reaching implications. The Bank would be invested with immense powers and responsibilities if all the primary societies were required to affiliate themselves to it and invest all their surplus cash with the

OMMENDATIONS.	ORDERS.
	Bank. It should be ensured in return that the societies get credit from the Bank on reasonable terms and that credit is not refused to societies except for sufficient cause. It would also be necessary that the rate of interest paid on deposits of societies is not less than that allowed on similar deposits in Joint Stock Banks. The membership of the Bank consists of both individuals and societies, and the recommendations are calculated to place the latter at a disadvantage in that they would lose their freedom in the matter of investing their surplus and of raising loans. Government are of opinion that this part of the Committee's recommendations may be considered when the Directorate of the Bank has been re-organised (as indicated below) and its management has reached a level of efficiency that would justify the Bank undertaking the heavy responsibilities involved in the proposal.
6. *Management of the Apex Bank.*	
It is necessary to raise the strength of the Directorate of the Apex Bank from thirteen to fifteen. Five places should be reserved exclusively for representatives of rural societies and five for representatives of urban societies, both credit and non-credit; and two for representatives of individual shareholders. This will leave—besides the President, who will be elected by the general body—two places, both of which should be filled by nomination by Government. One of the Directors so nominated may, with advantage, be the Comptroller.	According to the revised bye-laws of the Bank, the Board of Management consists of a President and 14 Directors of whom the President and 12 Directors are to be elected by the general body, one is to be co-opted by the Board, and one nominated by the Government; and out of the 12 elected directors, at least six are to be representatives of affiliated societies. Government accept the recommendation of the Committee that five places should be reserved exclusively for representatives of rural societies, and five for representatives of urban societies,—both credit and non-credit—and two for representatives of individual shareholders. These places shall be filled by election by the rural societies, the urban societies and the individual shareholders, respectively. Government also accept the recommendation that two places should be filled by nomination by Government, and that one of the nominees may, with advantage, be the Comptroller. The observation of the Committee that the services of trained bankers on the Directorate should, where possible, be secured will also be kept in view in making the other nomination.
The constitution of the Directorate of Central institutions should be defined in outline in the Act itself, leaving details to rules. One such rule should provide explicitly for the automatic retirement, every year, of a third of the Directors by rotation.	
The management of a Provincial Bank calls for practical training and financial knowledge and experience of a high order. The services of trained bankers on the Directorate should, where possible, be secured by co-optation, if not by election. Early steps should be taken to engage on a suitable salary a duly qualified and capable person as Manager. It is essential also to have a qualified auditor on the staff.	As to the President being elected by the general body, it has been suggested, in modification of the recommendation of the Committee, that, as in the case of the Land Mortgage Bank, the President also may be nominated by the Government.

No. D. 6155-56--C. S, 11-36-242, dated 3rd February 1938.

Recommendations.	Orders.
	In view of the recommendations of the Committee that all primary societies—rural and urban,—should be required to affiliate themselves to the Apex Bank and to invest their surplus and a suitable portion of their unutilised reserves with the Apex Bank, and that the Apex Bank should be the only link between primary societies and the money market, the primary societies being forbidden to have direct financial relations even with each other, there is an increased responsibility imposed upon the Apex Bank and it is very necessary to infuse public confidence in the management of the Bank. It has also been suggested that, in view of the heavy overdues to the Bank, an Officer of Government of the status of an Assistant Commissioner may be lent to the Apex Bank and half his salary and pensionary contribution may be met by Government for a period of at least three years. Separate orders will issue shortly in this matter. The Bank has also recently arranged, by a change in its bye-laws to appoint, as Secretary to the Bank, a salaried officer who, subject to the control of the Board, shall be responsible for the executive administration of the Bank. As the amendment of the Co-operative Societies Act defining in outline the constitution of the Directorate of the Apex Bank will involve delay, Government have separately under consideration the framing of rules under Section 44(2)(*g*) to give effect to the above recommendations, as also to the suggestion that a third of the Directors should automatically retire every year by rotation.
7. *Banking Facilities.* The Provincial Bank and other co-operative institutions should confine themselves to borrowing and lending for short and intermediate terms, leaving long-term finance entirely in the hands of the Land Mortgage Bank. This is apart from the separate recommendation made with regard to the financing of house-building societies. So far as primary societies are concerned, they should seek loans and cash credits from the Apex Bank. But the Apex Bank may well look to the Bank of Mysore for special help of the kind given by the Imperial Bank and the new Reserve Bank in British India.	In their Order No. D. 10897-918—C. S. 82-26-4, dated 7th June 1927, Government have expressed their readiness to advance to the Apex Bank money up to a lakh of rupees whenever such an advance is required, on terms to be mutually agreed upon as regards the rate of interest and period of repayment. A further cash credit to the extent of another lakh of rupees (subject to the interest being charged only on the actual amount drawn) was also promised in Government Order No. D. 11283-92—C. S. 128-25-8, dated 22nd June 1927. It is understood that the Apex Bank does not stand in need of any further financial backing at present.

No. D. 6155-56—C. S. 11-36-242. DATED 23RD FEBRUARY

RECOMMENDATIONS.	ORDERS.
What is chiefly needed is an arrangement with the Mysore Bank for giving adequate accommodation to the Apex Bank, in the shape of a cash credit on the security, and up to 75 per cent of the amount, of the pronotes of rural societies backed by their endorsements. It is desirable, at the same time, that the Apex Bank should have the moral backing of Government in the shape of a promise of a definite advance of two lakhs of rupees whenever required.	

P. H. KRISHNA RAO,
Secretary to Government,
Local Self-Government Department.

To—The Registrar of Co-operative Societies in Mysore.
The Comptroller to Government.

Exd.—C. K.

WD 1511—GPB—475—5-3-38

Appendix F G—1]

SUBJECT 61

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Section Ref

File No. 11-36

Serial No.

Diary No. of letter replied to..... D.O. No. D 6435 Ref

To

General and Revenue Secretariat

( )

the 193 .

Dear Sir

I am directed to forward herewith for favour of your information a copy of G.O.Ms D 6155-56/ Ref. 11-36.242 dated the 23rd July 3 passing orders on Chapter IV of the Report of the Committee on Cooperation in Mysore

Yours faithfully

11/8/37

Date of issue 4-3-37

Signed by M/K Srinivasan

To

Rajaahamapraina

Dewan Bahadur. ~~K.S. Chan~~

K.S. Chamarasellham Iyer

B.A.B.L.

Retired Chief Justice

of the Chief Court of Mysore

Basavangudi Post

Bangalore City

List of enclosures.....

Copied by .....

Examined by.....

WD 0521—GPB—30,000—12-3-37

D.O.D 6435
Em/

4th March 8.

Dear Sir,

I am desired to forward herewith for favour of your information a copy of Government Order No.D.6155-56/ C.S. 11-36-242 dated the 23rd February 1938 passing orders on Chapter IV of the Report of the Committee on Co-operation in Mysore.

Yours sincerely,

Rajadharmapravina Diwan Bahadur
K.S.Chandrasekhara Aiyar, Esq., B.A., B.L.,
Retired Chief Judge of the Chief Court of Mysore.